

PRESIDENT'S ANNUAL MESSAGE TO CONGRESS ATTACKS MANY OF OUR NATIONAL ABUSES

Immediate Attention to Currency--Tariff Reform After Presidential Election.

Wants Absolute Power to Suspend Licenses of Corporations to Avoid Delay.

The President's message, read to Congress today, was as follows:

To the Senate and House of Representatives:

No nation has greater resources than ours, and I think it can be truthfully said that the citizens of no nation possess greater energy and industrial ability. In no nation are the fundamental business conditions sounder than in ours at this very moment; and it is foolish, when such is the case, for people to hoard money instead of keeping it in sound banks; for it is such hoarding that is the immediate occasion of money stringency. Moreover, as a rule, the business of our people is conducted with honesty and probity, and this applies alike to farms and factories, to railroads and banks, to all our legitimate commercial enterprises.

In any large body of men, however, there are certain to be some who are dishonest, and if the conditions are such that these men prosper or commit their misdeeds with impunity, their example is a very evil thing for the community. Where these men are business men of great sagacity and of temperament both unscrupulous and reckless, and where the conditions are such that they act without supervision or control and at first without effective check from public opinion, they delude many innocent people into making investments or embarking in kinds of business that are really unsound.

When the misdeeds of these successfully dishonest men are discovered, suffering comes not only upon them, but upon the innocent men whom they have misled. It is a painful awakening, whenever it occurs; and, naturally, when it does occur those who suffer are apt to forget that the longer it was deferred the more painful it would be. In the effort to punish the guilty it is both wise and proper to endeavor so far as possible to minimize the distress of those who have been misled by the guilty.

Yet it is not possible to refrain because of such distress from striving to put an end to the misdeeds that are the ultimate causes of the suffering, and, as a means to this end, where possible to punish those responsible for them. There may be honest differences of opinion as to many Governmental policies; but surely there can be no such differences as to the need of unflinching perseverance in the war against successful dishonesty.

INNOCENT SUFFER, TOO.

In my message to the Congress on December 5, 1905, I said:

"If the folly of man mars the general well-being, then those who are innocent of the folly will have to pay part of the penalty incurred by those who are guilty of the folly. A panic brought on by the speculative folly of part of the business community would hurt the whole business community; but such stoppage of welfare, though it might be severe, would not be lasting. In the long run, the one vital factor in the permanent prosperity of the country is the high individual character of the average American worker, the average American citizen, no matter whether his work be mental or manual, whether he be farmer or wage-worker, business man or professional man."

"In our industrial and social system the interests of all men are so closely intertwined that in the immense majority of cases a straight-dealing man, who by his efficiency, by his ingenuity and industry, benefits himself, must also benefit others. Normally, the man of great productive capacity who becomes rich by guiding the labor of many other men does so by enabling them to produce more than they could produce without his guidance; and both he and they share in the benefit, which comes also to the public at large."

"The superficial fact that the sharing may be unequal must never blind us to the underlying fact that there is this sharing, and that the benefit comes in some degree to each man concerned. Normally, the wage-worker, the man of small means, and the average consumer, as well as the average producer, are all alike helped by making conditions such that the man of exceptional business ability receives an exceptional reward for his ability. Something can be done by legislation to help the general prosperity; but no such help of a permanently beneficial character can be given to the less able and less fortunate save as the results of a policy which shall inure to the advantage of all industrious and efficient people who act decently; and this is only another way of saying that any benefit which comes to the less able and less fortunate must of necessity come even more to the more able and more fortunate."

"If, therefore, the less fortunate man is moved by envy of his more fortunate brother to strike at the conditions under which they have both, though unequally, prospered, the result will assuredly be that while damage may come to the one struck at, it will visit with an even heavier load the one who strikes the blow. Taken as a whole, we must all go up or go down together."

Control of Wealth Needed.

"Yet, while not merely admitting, but insisting upon this, it is also true that where there is no governmental restraint or supervision some of the exceptional men use their energies, not in ways that are for the common good,

rather than an affirmative kind, and still more that they have in part sought to prohibit what could not be effectively prohibited, and have in part in their prohibitions confounded what should be allowed and what should not be allowed. It is generally useless to try to prohibit all restraint on competition, whether this restraint be reasonable or unreasonable; and where it is not useless it is generally hurtful. . . . The successful prosecution of one device to evade the law immediately develops another device to accomplish the same purpose."

"What is needed is not sweeping prohibition of every arrangement, good or bad, which may tend to restrict competition, but such adequate supervision and regulation as will prevent any restriction of competition from being to the detriment of the public, as well as such supervision and regulation as will prevent other abuses in no way connected with restriction of competition."

I have called your attention to these questions to what I have already said because I am satisfied that it is the duty of the National Government to embody in action the principles thus expressed.

No Right to Wrong Others.

No small part of the trouble that we have comes from carrying to an extreme the national virtue of self-reliance, of independence in initiative and action. It is wise to conserve this virtue and to provide for its fullest exercise, compatible with seeing that liberty does not become a liberty to wrong others. Unfortunately, this is the kind of liberty that the lack of all effective regulation inevitably breeds. The founders of the Constitution provided that the National Government should have complete and sole control of interstate commerce. There was practically no interstate business save such as was conducted by water, and this the National Government at once proceeded to regulate in thoroughgoing and effective fashion. Conditions have now so wholly changed that the interstate commerce by water is insignificant compared with the amount that goes by land, and almost all big business concerns are now engaged in interstate commerce.

As a result, it can be but partially and imperfectly controlled or regulated by the action of any one of the several States; such action inevitably tending to be either too drastic or else too lax, and in either case ineffective for purposes of justice. Only the National Government can in thoroughgoing fashion exercise the needed control. This does not mean that there should be any extension of Federal authority, for such authority already exists under the Constitution in amplest and most far-reaching form; but it does mean that there should be an extension of Federal activity.

This is not advocating centralization. It is merely looking facts in the face, and realizing that centralization in business has already come, and that the public at large can only protect itself from certain evil effects of this business centralization by providing better methods for the exercise of control. The authority already centralized in the National Government by the Constitution itself. There must be no halt in the healthy constructive course of action which this nation has elected to pursue, and has steadily pursued, during the last six years, as shown both in the legislation of the Congress and the administration of the law by the Department of Justice.

National Railway Incorporation.

The most vital need is in connection with the railroads. As to these, in my judgment there should now be either a national incorporation act or a law licensing railway companies to do interstate commerce upon certain conditions. The law should be so framed as to give to the Interstate Commerce Commission power to pass upon the future issue of securities, while ample means should be provided to enable the commission, whenever in its judgment it is necessary, to make a physical valuation of any railroad. As I stated in my message to the Congress a year ago, railroads should be given power to enter into agreements, subject to these agreements being made public in minute detail and to the consent of the Interstate Commerce Commission being first obtained.

Until the National Government assumes proper control of interstate commerce, in the exercise of the authority it already possesses, it will be impossible either to give to or to get from the railroads full justice. The railroads and all other great corporations will do well to recognize that this control must come; the one question is as to what governmental body can most wisely exercise it. The courts will determine the limits within which the Federal authority can exercise it, and there will still remain ample work within each State for the railway commission of that State; and the National Interstate Commerce Commission will work in harmony with the several State commissions, each within its own province, to achieve the desired end.

Moreover, in my judgment there should be additional legislation looking to the proper control of the great business concerns engaged in interstate commerce, this control to be exercised for their own benefit and prosperity no less than for the protection of investors and of the general public. As I have repeatedly said in messages to the Congress and elsewhere, experience has definitely shown not merely the unwisdom, but the futility of endeavoring to put a stop to all business combinations.

Modern industrial conditions are such that combination is not only necessary, but inevitable. It is so in the world of labor, and it is as idle to desire to put an end to all corporations, as to desire to put an end to combinations of labor. Corporation and labor union alike have come to stay. Each, if properly managed, is a source of good, and not evil. Whenever in either there is evil, it should be promptly held to account; but it should receive hearty encouragement so long as it is properly managed.

Want Enforceable Laws.

It is profoundly immoral to put or keep on the statute books a law, nominally in the interest of public morality, that really puts a premium upon public immorality, by undertaking to forbid

ROOSEVELT PROGRAM TOLD IN OUTLINE

The President's recommendations in his message are:

- Federal supervision and license for corporations;
- Federal supervision of the issuing of railway securities and the legalizing of pooling agreements;
- Amendments to the anti-trust laws to prohibit combinations that do harm;
- Executive power to suspend licenses of corporations engaged in interstate business in order to avoid the delays of legal proceedings;
- Publicity in all corporation matters affecting the public;
- Immediate attention to the currency question;
- Revision of the tariff after Presidential election;
- Tax on incomes and inheritances;
- Limit to the abuse of injunctions;
- Steps to stop loss of life on railways;
- Compensation to workmen injured while working in Federal yards and factories;
- Extension of eight-hour law to work done under contract;
- Means for investigating labor disputes in hope of avoiding strikes;
- Laws to regulate the employment of women and children;
- Federal inspection and grading of grain;
- Deep waterway from Great Lakes to the Gulf, with feeders East and West;
- Laws to give the public lands to the home-seeker and keep them from falling into the hands of land grabbers;
- Protection of forests and admission of forest products, especially wood pulp, free of duty;
- Locks 120 feet wide in the Panama Canal;
- Establishment of postal savings banks and extension of parcels post;
- Some form of self-government for Alaska;
- Establishment of a bureau of mines under the Secretary of the Interior;
- Appropriation of funds to keep up Andrew Jackson's home, the Hermitage;
- Increasing interest in the work for the public health;
- Campaign contribution from National treasury;
- A national gallery of art in Washington;
- Larger appropriations for the Biological Survey;
- Extension of ocean mail act of 1891;
- More pay for officers and men in army and navy with increased pay in each service;
- Provision for the building of four battleships this year;
- Acceptance of Japanese invitation to join the international exhibition.

honest men from doing what must be done under modern business conditions, so that the law itself provides that its own infraction should be the condition precedent upon business success. To aim at the accomplishment of too much usually means the accomplishment of too little, and often the doing of positive damage. In my message to the Congress a year ago, in speaking of the anti-trust laws, I said:

"The actual working of our laws has shown that the effort to prohibit all combination, good or bad, is noxious where it is not ineffective. Combination of capital like combination of labor, is a necessary element in our present industrial system. It is not possible completely to prevent it; and if it were possible, such complete prevention would do damage to the body politic. What we need is not vainly to try to prevent all combination, but to secure such rigorous and adequate control and supervision of the combinations as to prevent their injuring the public, or existing in such forms as inevitably to threaten injury. . . ."

"It is unfortunate that our present laws should forbid all combinations instead of sharply discriminating between these combinations which do good and those combinations which do harm. As far as in my ability lies, my endeavor will be to prevent abuse of power by either and to favor both so long as they do well."

"The aim of the National Government is quite as much to favor and protect honest corporations, honest business men of wealth, as to bring to justice those individuals and corporations representing dishonest methods. Most certainly there will be no relaxation by the Government authorities in the effort to get at any great railroad wrecker, any man who by clever swindling devices robs investors, oppresses wage-workers, and does injustice to the general public. But any such move as this is in the interest of honest railway operators, of honest corporations, and of those who, when they invest their small savings in stocks and bonds, wish to be assured that there will represent money honestly expended for legitimate business purposes."

traffic associations do technically violate the law, they say:

"The decision of the United States Supreme Court in the Trans-Missouri case and the Joint Traffic Association case has produced no practical effect upon the railway operations of the country. Such associations have existed, now as they did before these decisions, and with the same general effect. Justice to all parties, we ought probably to add that it is difficult to see how our interstate railways could be operated with due regard to the interest of the shipper and the railway without concerted action of the kind afforded through these associations."

Must Break This Law.

"This means that the law as construed by the Supreme Court is such that the business of the country can not be conducted without breaking it."

"All this is substantially what I have said over and over again. Surely it ought not to be necessary to say that it in no shape or way represents any hostility to corporations as such. On the contrary, it means a frank recognition of the fact that combinations of capital, like combinations of labor, are a natural result of modern conditions and of our national development. As far as in my ability lies, my endeavor will be to prevent abuse of power by either and to favor both so long as they do well."

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"To confer upon the National Gov-

ernment the power for which I ask would be a check upon overcapitalization and upon the clever gamblers who benefit by overcapitalization. But it alone would mean an increase in the value, an increase in the safety of the stocks and bonds, and would honestly managed railroads, and would render it far easier to market their securities. I believe in proper publicity. There has been complaint of some of the investigations recently carried on, but those who complain should put the blame where it belongs—upon the misdeeds which are done in darkness and not upon the investigations which brought them to light."

Merely Turned on Light.

"The Administration is responsible for turning on the light, but it is not responsible for what the light showed. I ask for full power to be given the Federal Government, because no single State can by legislation effectively cope with these powerful corporations engaged in interstate commerce, and while doing them full justice, exact from them in return full justice to others. The conditions of railroad activity, the conditions of our immense interstate commerce, are such as to make the Central Government alone competent to exercise full supervision and control."

"The grave abuses in individual cases of railroad management in the past represent wrongs not merely to the general public, but, above all, wrongs to fair-dealing and honest corporations and men of wealth, because they excite a popular anger and distrust which from the very nature of the case tends to include in the sweep of its resentment good and bad alike. From the standpoint of the public I can not too earnestly say that as soon as the natural and proper resentment aroused by these abuses becomes indiscriminate and unthinking, it also becomes not merely unwise and unfair, but calculated to defeat the very ends which those feeling it have in view."

"There has been plenty of dishonest work by corporations in the past. There will not be the slightest let-up in the effort to hunt down and punish every dishonest man. But the bulk of our business is honestly done. In the natural indignation the people feel over the dishonesty, it is all essential that they should not lose their heads and get drawn into an indiscriminate raid upon all corporations, all people of wealth, whether they do well or ill. Out of any such wild movement good will not come, cannot come, and never has come."

"On the contrary, the surest way to invite reaction is to follow the lead of either demagogues or fanatics in a sweeping assault upon property values and upon public confidence, which would do incalculable damage in the business world and would produce a distrust of the agitators that in the revolution the distrust would extend to honest men who, in similar cases, have been, are trying to remedy the evils."

Forbid Only Bad Trusts.

The anti-trust law should not be repealed, but it should be made both more efficient and more in harmony with actual conditions. It should be so amended as to forbid only the kind of combination which does harm to the general public, such amendment to be accompanied by, or to be an incident of, a grant of supervisory power to the Government over these big concerns engaged in interstate business. This should be accompanied by power for the compulsory publication of accounts and the submission of books and papers to the inspection of the Government officials. A beginning has already been made for such supervision by the establishment of the Bureau of Corporations."

Executive Needs More Power.

The anti-trust law should not prohibit combinations that do no injury to the public, still less those the existence of which is on the whole of benefit to the public. But even if this feature of the law were abolished, there would remain as an equally objectionable feature the difficulty and delay now incident to its enforcement. The Government must now submit to a tedious and repeated delay before obtaining a final decision of the courts upon proceedings instituted, and even a favorable decree may mean an empty victory. Moreover, to attempt to control these corporations by lawsuits means to impose upon both the Department of Justice and the courts an impossible burden; it is not feasible to carry on more than a limited number of such suits. Such a law to be really effective must of course be administered by an executive body, and not merely by means of lawsuits. The design should be to prevent the abuses incident to the creation of unhealthy and improper combinations, instead of waiting until they are in existence and then attempting to destroy them by civil or criminal proceedings."

"Combination should not be tolerated if it abuse the power acquired by combination to the public detriment. No corporation or association of any kind should be permitted to engage in foreign or interstate commerce that is formed for the purpose of, or whose operations create, a monopoly or general control of the production, sale, or distribution of any one or more of the prime necessities of life, or articles of general use and necessity. Such combinations are against public policy; they violate the common law; the doors of the courts are closed against them; parties to them, and I believe the Congress can close the channels of commerce against them."

"The law should make its prohibitions and permissions as clear and definite as possible, leaving the least possible room for arbitrary action, or interpretation of such action, on the part of the Executive, or of divergent interpretations of all interests concerned. The law should be aimed at the prevention of unhealthy competition, such as by rendering service at an actual loss for the purpose of crushing out competition, the prevention of inflation of capital, and the prohibition of a corporation's making exclusive trade with itself a condition of having any trade with itself. Reasonable agreements between, or combinations of, corporations should be permitted, provided they are first submitted to and approved by some appropriate Government body."

The Congress has the power to charter corporations to engage in interstate and foreign commerce, and a general law can be enacted under the pro-

Let Government Pay Campaign Expenses

There is a very radical measure which would, I believe, work a substantial improvement in our system of conducting a campaign, although I am well aware that it will take some time for people so to familiarize themselves with such a proposal as to be willing to consider its adoption.

The need for collecting large campaign funds would vanish if Congress provided an appropriation ample enough to meet the necessity for thorough organization and machinery which requires a large expenditure of money.

Then the stipulation should be made that no party receiving campaign funds from the Treasury should accept more than a fixed amount from any individual subscriber or donor; and the necessary publicity for receipts and expenditures could without difficulty be provided.

visions of which existing corporations could take out Federal charters and new Federal corporations could be created. An essential provision of such a law should be a method of predetermining by some Federal board or commission whether the applicant for a Federal charter was an association or combination within the restrictions of the Federal law. Provision should also be made for complete publicity in all matters affecting the public and complete protection to the investing public and the shareholders in the matter of issuing corporate securities.

If an incorporation law is not deemed advisable, a license act for big interstate corporations might be enacted; or a combination of the two might be tried. The supervision established might be analogous to that now exercised over national banks. At least, the anti-trust act should be supplemented by specific prohibitions of the methods which experience has shown have been of most service in enabling monopolistic combinations to crush out competition. The real owners of a corporation should be compelled to do business in their own name. The right to hold stock in other corporations should hereafter be denied to interstate corporations, unless on approval by the proper Government officials, and a prerequisite to such approval should be the filing with the Government of all owners and stockholders, both by the corporation owning such stock and by the corporation in which such stock is owned.

To confer upon the National Government, in connection with the amendment I advocate in the anti-trust law, power of supervision over big business concerns engaged in interstate commerce, would benefit them as it has benefited the national banks. In the recent business crisis it is noteworthy that the institutions which failed were institutions which were not under the supervision and control of the National Government. Those which were under national control stood the test.

National control of the kind above advocated would be to the benefit of every well-managed railway. From the standpoint of the public the need for additional tracks, additional terminals, and improvements in the actual handling of the railroads, and all this as rapidly as possible. Ample, safe, and speedy transportation facilities are even more necessary than cheap transportation.

Therefore, there is need for the investment of money which will provide for all these things while at the same time securing, as far as is possible, better wages and shorter hours for their employees. Therefore, while there must be just and reasonable regulation of rates, we should be the first to protest against any arbitrary and unthinking movement to cut them down without the fullest and most careful consideration of all interests concerned and of the actual needs of the situation. Only a special body of men acting for the National Government under authority conferred upon it by the Congress is competent to pass judgment on such a matter.

Where Supervision Worked Well.

Those who fear, from any reason, the extension of Federal activity will do well to study the history not only of the national banking act, but of the pure-food law, and notably the meat inspection law recently enacted. The pure-food law was opposed so violently that its passage was delayed for a decade; yet it has worked unexcelled and immediate good.

The meat inspection law was even more violently assailed; and the same men who now denounce the attitude of the National Government in seeking to oversee and control the workings of interstate common carriers and business concerns, then asserted that we were "discrediting and ruining a great American industry." Two years have not shaped, and already it has become evident that the great benefit the law confers upon the public is accompanied by an equal benefit to the reputable packing establishments. The latter are better off under the law than they were without it. The benefit to interstate common carriers and business concerns from the legislation I advocate would be equally marked.

Incidentally, in the passage of the pure-food law the action of the various